

## PAID-UP OIL AND GAS LEASE (NO SURFACE OCCUPANCY)

10/26/2010 04:01P 10/26/2010 04:01P



THIS AGREEMENT, made and entered into this 20<sup>th</sup> day of October, 2010, by and between Great Western Railway of Colorado L.L.C., whose address is 50 S. Steele STE 250 Denver, CO 80202, hereinafter called lessor (whether one or more), and HRM Resources, LLC, 555 17<sup>th</sup> Street, Suite 950, Denver, Colorado 80202 hereinafter called lessee.

WITNESSETH:

1. That lessor, for and in consideration of                      dollars                      in hand paid, receipt of which is hereby acknowledged, and of the agreements of lessee hereinafter set forth, hereby grants, demises, leases and lets exclusively unto lessee the lands described below for the purpose of investigating, prospecting, exploring (by geophysical and other methods), drilling, mining, operating for and producing oil or gas, or both (as defined below), and the exclusive right to inject air, gas, water, brine and other fluids from any source into the subsurface strata, and any and all other rights and privileges necessary, incident to, or convenient for the economical operation of said land, alone or conjointly with neighboring land, for the production, saving and taking care of oil and gas and the injection of air, gas, water, brine, and other fluids into the subsurface strata, said lands being situated in the County of Weld, State of Colorado, described as follows, to-wit:

Township 4 North, Range 67 West, 6<sup>th</sup> P.M.

Section 20: A strip of land eighty feet in width through over and across the South West quarter (SW/4) being forty feet on each side of the centre line of the Great Western Railway as now surveyed and located, said centre line being described as follows, to-wit: Beginning at a point on the north and south half section line four hundred and thirty eight feet north of the south quarter corner of said section twenty (20) thence south sixteen degrees thirty minutes (16°30') west for a distance of three hundred ninety four and two tenths (394.2') feet to a point of curve to the right whose radius is fourteen hundred thirty-two and seven tenths (1432.7') feet; thence on said curve for a distance of fifty-five and eight tenths (55.8') feet, intersecting the south line of said section twenty (20), twenty three hundred and fifteen (2315') feet east of the southwest corner thereof. Variation fifteen degrees east.

Consisting of 0.85 acres, more or less

Lessee shall conduct no surface operations on the lands leased herein; however, Lessee or assigns may recover oil, gas and other minerals by pooling, unitization or other means herein provided for. Lessee shall have all rights herein granted to explore for and produce oil and gas from wells bottomed under said land which Lessee may have directionally drilled or pooled with other lands in the area or vicinity of said land. If Lessee commences any well on land not covered by this lease, Lessee is hereby granted the right to drill any such well diagonally through the subsurface of the lands leased herein in order to bottom any such well in and under land not covered by this lease.

In addition to the land described above, lessor hereby grants, leases and lets exclusively unto lessee, to the same extent as if specifically described, lands which are owned or claimed by lessor by one of the following reasons: (1) all lands and rights acquired or retained by lessor by avulsion, accretion, reliction or otherwise as the result of a change in the boundaries or centerline of any river or stream traversing or adjoining the lands described above; (2) all riparian lands and rights which are or may be incident, appurtenant, related or attributed to lessor in any lake, stream or river traversing or adjoining the lands described above by virtue of lessor's ownership of the land described above; (3) all lands included in any road, easement or right-of-way traversing or adjoining the lands described above which are or may be incident, appurtenant, related or attributed to lessor by virtue of lessor's ownership of the land described above; and (4) all strips or tracts of land adjacent or contiguous to the lands described above owned or acquired by lessor through adverse possession or other similar statutes of the state in which the lands are located.

The term oil as used in this lease shall be interpreted to include any liquid hydrocarbon substances which occur naturally in the earth, including drip gasoline or other natural condensate recovered from gas without resort to manufacturing process. The term gas as used in this lease shall be interpreted to include any substance, either combustible or non-combustible, which is produced in a natural state from the earth and which maintains a gaseous or rarified state at ordinary temperature and pressure conditions, including helium, nitrogen, carbon dioxide, hydrogen sulfide, casinghead gas and sulphur. Any and all other minerals not expressly part of this grant including without limitation to sand, gravel, coal, coal bed methane gas, and other hard rock minerals are excepted from this lease and are expressly reserved to and shall be retained by lessor.

Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) year from (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced from the leased premises or off-site drilling operations are continuously prosecuted. For purposes of this lease, "drilling operations" shall include operations for the drilling of a new well and operations for the reworking, deepening or plugging back of a well or hole or other operations conducted in an effort to establish, resume or re-establish production of oil and gas; drilling operations shall be considered to be "continuously prosecuted" if not more than ninety (90) days shall elapse between the completion and abandonment of one well or hole and the commencement of drilling operations on another well or hole; drilling operations shall be deemed to be commenced for a new well at such time as lessee has begun the construction of the wellsite location or the road which provides access to the wellsite location; and drilling operations shall be deemed to be commenced with respect to reworking, deepening, plugging back or other operations conducted in an effort to resume or re-establish production of oil and gas at such times as lessee has the requisite equipment for such operations at the wellsite. Notwithstanding anything to the contrary in this lease, either party may terminate this lease, for any reason, upon giving not less than one hundred eighty (180) days written notice to the other party. Provided however, Lessor cannot terminate this lease so long as drilling operations have commenced and/or oil and gas or either of them, is produced from the leased premises. Termination of this lease shall not affect any liabilities or obligations of the parties which accrued prior to such termination.

2. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipeline to which lessee may connect its wells the equal                      part of all oil produced and saved from the leased premises, or lessee may from time to time at its option purchase any royalty oil in its possession, paying the greater of the market value thereof prevailing for oil of like grade and gravity in the field where produced on the date of purchase or the gross proceeds received by lessee.

The lessee shall pay lessor, as royalty, on gas, including casinghead gas or other gaseous substances produced from the leased premises and sold or used off the premises or used in the manufacture of gasoline or other products, the market value at the well of                      of the gas sold or used, provided that on gas sold the royalty shall be                      of the greater of the market value prevailing for oil of like grade and gravity in the field where produced on the date of purchase or the gross proceeds received by lessee. The gross proceeds from the sale of gas shall be the price established by the gas sales contract entered into in good faith by lessee and a gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. No deduction shall be made from lessor's royalty for lessee's costs of compressing, treating, purifying, or dehydrating any such gas (whether on or off the leased premises) or for transportation of the gas.

3. This is a paid-up lease and all cash consideration first recited above and annual rentals have been paid to lessor in advance to keep this lease in full force and effect throughout the primary term. In consideration of the payment of such cash consideration and advance of annual rentals, lessor agrees that lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of the land described above, and as to any strata or stratum, by delivering to lessor or by filing of record a release or releases, and be relieved of all obligations thereafter accruing to the acreage surrendered.

4. If, at the expiration of the primary term of this lease, oil or gas is not being produced from the leased premises but lessee is then engaged in drilling operations, this lease shall continue in force so long as drilling operations are continuously prosecuted; and if production of oil or gas results from any such drilling operations, this lease shall continue in force so long as oil or gas shall be produced from the leased premises. If, after the expiration of the primary term of this lease, production on the leased premises should cease for any cause, this lease shall not terminate if lessee is then engaged in drilling operations, or within one hundred twenty (120) days after each such cessation of production commences or resumes drilling operations, and this lease shall remain in force so long as drilling operations are continuously prosecuted, and if production results therefrom, then as long thereafter as oil or gas is produced from the leased premises.

5. If at any time, either before or after the expiration of the primary term of this lease, there is a well capable of producing oil or gas on other lands with which lands covered by this lease are pooled or unitized, but the well is shut-in, whether before or after production therefrom, and this lease is not being maintained otherwise as provided herein, this lease shall not terminate (unless released by lessee) and it shall nevertheless be considered that oil or gas is being produced from lands covered by this lease during all times while the well is so shut-in. Lessee shall use reasonable diligence to market the oil or gas capable of being produced from such shut-in well, but shall be under no obligation to market the oil or gas under terms, conditions or circumstances which, in lessee's judgment exercised in good faith, are unsatisfactory. When the lease is continued in force in this manner, lessee shall pay or tender to the lessor or lessor's successors or assigns, an amount equal to                      per year per net mineral acre covered by the lease. Such payments shall be made on or before the shut-in royalty payment date, as defined below, next occurring after the expiration of one hundred twenty (120) days from the date the well was shut-in, unless prior to such date oil or gas from the well is sold or used or the lease is otherwise maintained as provided herein. In like manner, on or before each succeeding shut-in royalty payment date while such well remains shut-in, lessee shall make payment of shut-in royalty in the same amount and manner. The term "shut-in royalty payment date" shall mean the anniversary date of this lease. Any shut-in royalty payment may be made by cash, draft or check, mailed or tendered on or before the shut-in royalty date. Lessee's failure to pay or tender, or properly pay or tender, any such sum shall render lessee liable for the amount due but it shall not operate to terminate the lease.

6. If lessor owns a lesser interest in the above described land other than the entire and undivided fee simple estate therein, then the royalties, including shut-in royalty, herein provided shall be paid to lessor only in the proportion which lessor's interest bears to the whole and undivided fee. Any interest in production from the lands described herein to which the interest of lessor may be subject shall be deducted from the royalty herein reserved.

7. Lessee assumes all risk of loss and shall defend, indemnify, and hold lessor, its owners and their respective officers, directors, members, managers, employees, agents, successors, shareholders and assigns ("Indemnified Parties") harmless from and against any and all claims, liabilities, damages, losses, costs or expenses (together with all liability for any expenses, reasonable attorneys' fees and costs incurred) for all injuries or death or damage to third parties or employees of either party and damage to the property of any party, to the extent occasioned by lessee's operations, except to the extent proximately caused by the intentional misconduct or sole gross negligence of the party seeking indemnification. When requested by lessor, lessee shall bury its pipelines which traverse the Railroad Right of Way to the railroad's specific standards. No wells shall be drilled on Lessor's property described herein as this is a no surface occupancy lease, and no wells or production equipment shall be drilled or installed off the premises within 200 feet of the Railway Right of Way on said premises. Lessee shall not install any subsurface pipelines or production equipment without the express written approval of lessor, which approval may reasonably be conditioned or denied.

8. Lessee is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described above and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas may be reformed to exclude

such non-producing formations. The forming or reforming of any unit shall be accomplished by lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has heretofore been completed or upon which drilling operations have been commenced. Production, drilling or reworking operations or a well shut-in for any reason anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut-in under this lease. In lieu of the royalties elsewhere herein specified, lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit.

9. Lessee shall have the right to unitize, pool, or combine all or any part of the land described above as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions, and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that the land described above or any part thereof shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to lessor shall be based upon production only as so allocated.

10. If the estate of either party hereto is assigned or sublet, and the privilege of assigning or subletting in whole or in part is expressly allowed, the express and implied covenants hereof shall extend to the sublessees, successors and assigns of the parties; and in the event of an assignment or subletting by lessee, lessee shall be relieved and discharged as to the leasehold rights so assigned or sublet from any liability to lessor thereafter accruing upon any of the covenants or conditions of this lease, either express or implied. No change in ownership of the land, royalties, or other payments, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee or require separate measuring or installation of separate tanks by lessee. Notwithstanding any actual or constructive knowledge of or notice to lessee, no change in ownership of said land or of the right to receive royalties or other payments hereunder, or of any interest therein, whether by reason of death, conveyance or any other matter, shall be binding on lessee (except at lessee's option in any particular case) until one hundred twenty (120) days after lessee has been furnished written notice thereof, and the supporting information hereinafter referred to, by the party claiming as a result of such change in ownership or interest. Such notice shall be supported by copies of all documents and other instruments or proceedings necessary in lessee's opinion to establish the ownership of the claiming party.

11. In the interest of conservation, the protection of reservoir pressures and recovery of the greatest ultimate yield of oil and/or gas, lessee shall have the right to combine the leased premises with other premises in the same general area for the purpose of operating and maintaining repressuring and recycling facilities, and for such purpose may locate such facilities, including input wells, upon leased premises, and no royalties shall be payable hereunder upon any gas used for repressuring and recycling operations benefiting the leased premises.

12. In the event lessor considers that lessee has not complied with all its obligations hereunder, either express or implied, lessor shall notify lessee in writing, setting out specifically in what respects lessee has breached this lease. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor. The service of said notice shall be precedent to the bringing of any action by lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessee. Neither the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee has failed to perform all its obligations hereunder. This lease shall never be forfeited or cancelled for failure to perform in whole or in part any of its implied covenants, conditions, or stipulations until a judicial determination is made that such failure exists and lessee fails within a reasonable time to satisfy any such covenants, conditions, or stipulations.

13. All express and implied covenants of this lease shall be subject to all federal and state, county or municipal laws, executive orders, rules and regulations, and lessee's obligations and covenants hereunder, whether express or implied, shall be suspended at the time or from time to time as compliance with such obligations and covenants is prevented or hindered by or is in conflict with federal, state, county, or municipal laws, rules, regulations or executive orders asserted as official by or under public authority claiming jurisdiction, or Act of God, adverse field, weather, or market conditions, inability to obtain materials in the open market or transportation thereof, wars, strikes, lockouts, riots, or other conditions or circumstances not wholly controlled by lessee, and this lease shall not be terminated in whole or in part, nor lessee held liable in damages for failure to comply with any such obligations or covenants if compliance therewith is prevented or hindered by or is in conflict with any of the foregoing eventualities; provided, however, lessee shall be liable in damages and this lease may be subject to termination if the suspension is the result of lessee's negligent conduct or intentional violation of such federal, state, county, or municipal laws, rules, regulations or executive orders asserted as official by or under public authority claiming jurisdiction, or is the result of lessee's own negligent conduct with respect to adverse field or market conditions, or inability to obtain materials in the open market or transportation thereof, strikes, lockouts, riots, or other conditions or circumstances not wholly controlled by lessee. The time during which lessee shall be prevented from conducting drilling or reworking operations during the primary term of this lease, under the contingencies above stated and subject to the exceptions stated in the preceding sentence, shall be added to the primary term of this lease.

15. Lessor gives no warranty of any kind as to title to the land described herein. Lessor shall not have any duty or obligation to defend title. Lessor hereby agrees that lessee, at its option, shall have the right at any time to pay for lessor, any mortgage, taxes or other liens existing, levied or assessed on or against the above described lands in the event of default of payment by lessor and be subrogated to the rights of the holder thereof, and lessor hereby agrees that any such payments made by lessee for the lessor may be deducted from any amounts of money which may become due the lessor under the terms of this lease.

16. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors in interest, in whole or in part, of said lessor or lessee.

17. With respect to and for the purpose of this lease, lessor, and each of them if there be more than one, hereby release and waive the right of homestead.

WHEREOF witness our hands as of the day and year first above written.

Great Western Railway of Colorado, L.L.C.

X   
By: Adam Hess  
Title: Director of Real Estate

#### CORPORATE ACKNOWLEDGEMENT

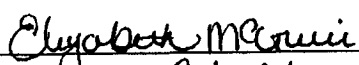
STATE OF COLORADO }  
(City and ) ss.  
COUNTY OF DENVER }

Before me, a notary public in and for said state, on this 22<sup>nd</sup> day of October, 2010, personally appeared Adam Hess, to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as its Director of Real Estate, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such LLC for the uses and purposes therein set forth.

Given under my hand and seal this 22<sup>nd</sup> day of October, 2010.


(Seal)



  
Notary Public for the State of Colorado  
residing at 50 S. Steele St Denver CO 80209  
My commission expires: June 12, 2014

My Commission Expires June 12, 2014

When recorded, return to: Land Energy, Inc., 1615 California Street, Suite 702, Denver, Colorado 80202

  
3727971 10/26/2010 04:01P Weld County, CO  
2 of 2 R 16.00 D 0.00 Steve Moreno Clerk & Recorder